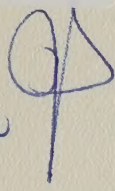


Lee 

KIENA GOLD MINES LIMITED



ANNUAL REPORT

1966

KIENA GOLD MINES LIMITED

Executive Office

7 King Street East
Toronto

Mine Office

Val d'Or, Quebec

Officers

J. P. MILLENBACH
President

G. T. N. WOODROOFFE
Vice-President

A. C. CALLOW
Secretary

J. T. McWHIRTER
Treasurer

Directors

A. S. DADSON

P. N. PITCHER

J. P. MILLENBACH

G. N. MOORE

R. C. MOTT

W. T. SWENSON

G. T. N. WOODROOFFE

Transfer Agent and Registrar

CROWN TRUST COMPANY
302 Bay Street, Toronto
393 St. James St. W., Montreal

Auditors

CLARKSON, GORDON & Co.
Toronto

Annual Meeting

Elizabeth Room,
King Edward Sheraton Hotel,
Toronto
Wednesday, May 24, 1967
10:00 o'clock a.m.
(Toronto Time)

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The financial statements of your Company as at December 31, 1966 and the Auditors' Report thereon are submitted herewith.

Expenditures in 1966 consisted largely of costs related to the termination of exploration and development work. Further work is entirely dependent upon future events including among other things a substantial increase in the price of gold. In the meantime, the mining properties are being maintained in good standing.

On behalf of the Board,

J. P. MILLENBACH,
President.

Toronto, Ontario,
April 13, 1967.

AUDITORS' REPORT

To the Shareholders of
Kiena Gold Mines Limited:

We have examined the balance sheet of Kiena Gold Mines Limited as at December 31, 1966 and the statement of development and other expenditures for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of development and other expenditures present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & Co.,
Chartered Accountants.

Toronto, Canada,
February 27, 1967.

KIENA GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

STATEMENT 1

BALANCE SHEET — DECEMBER 31, 1966

ASSETS

Current:		
Cash		\$ 2,047
Accounts receivable		206
Fixed (note 3):		
Buildings, machinery and equipment, at cost	159,415	
Mining claims and properties, at cost	333,636	493,051
Other (note 3):		
Development and other expenditures (statement 2) (notes 1 and 2)	2,997,459	
Deposit for electric power	13,090	3,010,549
		<u>\$3,505,853</u>

LIABILITIES

Advance from Falconbridge Nickel Mines Limited, parent company		\$ 7,000
Long term:		
6% income debentures due December 31, 1977-1978 (note 4)		250,000
Shareholders' equity:		
Capital (notes 1 and 4) —		
Authorized:		
2,500,000 6% non-voting preference shares with a par value of \$1.00		
each (cumulative until December 31, 1968), redeemable at par		
5,000,000 common shares without par value		
Issued:		
2,467,459 preference shares	2,467,459	
4,876,848 common shares	895,786	
	<u>3,363,245</u>	
Less deficit (no change during 1966)	114,392	3,248,853
		<u>\$3,505,853</u>

On behalf of the Board:

J. P. MILLENBACH, Director.

G. T. N. WOODROOFFE, Director.

STATEMENT 2

STATEMENT OF DEVELOPMENT AND OTHER EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1966

Balance, December 31, 1965		\$2,944,575
Expenditures during 1966:		
Exploration	3,113	
Shaft sinking and underground development	5,859	
Engineering	12,940	
General expense at the property	15,758	
Administrative and corporate expenses	15,214	52,884
		<u>\$2,997,459</u>
Balance, December 31, 1966		<u>\$2,997,459</u>

See notes to financial statements

KIENA GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. The company has entered into an agreement to issue preference shares to Falconbridge Nickel Mines Limited as consideration for any prospecting, exploration and development work carried out by Falconbridge on Kiena's property on the basis of one preference share for each \$1 expended; the tax benefits with respect to these expenditures are claimable by Falconbridge. Pursuant to this agreement Falconbridge incurred expenditures of \$41,816 during the year ended December 31, 1966 for which it received 41,816 preference shares in 1966. During the year the company also issued 551,904 preference shares for similar expenditures incurred in 1965. The agreement also provides that all preference shares outstanding must be redeemed before any dividends are paid on the common shares.
2. Development and other expenditures include a total of \$2,416,973 in respect of which the tax benefits are claimable by other companies.
3. On January 11, 1966 Falconbridge Nickel Mines Limited notified the company that it was not prepared at that time to expend further funds on additional work or to equip the mine for production. Accordingly, all work at the mine has ceased and the recovery of any expenditures made to date is entirely dependent upon future events including among other things a substantial increase in the price of gold.
4. At December 31, 1965 arrears of dividends on the preferred shares amounted to \$163,796 and interest on the income debentures which is cumulative but payable only out of profits, amounted to \$38,605. All of these securities are owned by Falconbridge who has agreed to waive its rights to receive the benefit of any further accruals of interest or dividends on these securities, after December 31, 1965 until a decision has been reached to place the company's property in production or to re-organize its capital.



KIENA GOLD MINES LIMITED

21st Floor, 7 King Street East

Toronto 1, Ontario

file

January 11, 1966

To the Shareholders:

For the past three years an intensive program of exploration and development work has been carried on by Falconbridge Nickel Mines Limited at the Kiena Gold Mines property in the Malartic area of Quebec at a cost of over \$2,500,000. During that period, a great deal of valuable information has been obtained on the geological and economic factors pertaining to the property as a basis for a decision on future activity.

Falconbridge has now advised your directors that in the light of its studies and other related factors, including rising costs and the difficulty in obtaining technical personnel, it is not prepared at this time to expend further funds on additional work or to equip a mine that would be marginal under present conditions. From the results of the exploration program just completed, enough ore was indicated to carry on a medium-tonnage operation for several years. However, with gold selling at present prices, the additional capital expenditure of some \$6,000,000 to prepare the property for production cannot be justified.

In view of the above decision, your directors have arranged for the mining plant to be placed on a care and maintenance basis.

We regret to advise you of the necessity for the above policy decision and appreciate your continuing support and interest in the Company. It is expected that the Annual Report for 1965 will be in the hands of the shareholders next month.

Yours very truly,
J. P. Millenbach
President

